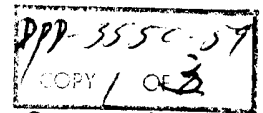




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Log No. 135-S

Copy # 1 of 4 copies

966 Commercial Street
Palo Alto, California
DAvenport 1-4175

May 22, 1959

Proposal No. 59-42A

REGISTERED - RETURN RECEIPT REQUESTED

 Contracting Officer

Gentlemen:

**CONTAINS SENSITIVE
COMPARTMENTED INFORMATION**

DOCUMENT NO. _____ 25X1
 NO CHANGE IN CLASS ☐
☐ DECLASSIFIED
 CLASS. CHANGED TO: TS S C
 NEXT REVIEW DATE: 7/1/60
 AUTH: HR 10-2
 DATE _____ REVIEWER: 018373

The following information is provided to clarify our discussion this morning on the appropriate form of contract for the fabrication of two Repeater Jammers, Model 504.

Our proposal 59-42 was submitted on a fixed price redeterminable basis (Type IV), and it was anticipated that our figures would be accepted as target price and not as maximum price as the contract is now written. Our choice of an FPR Type IV contract was predicated on the fact that there is still some amount of development work to be performed on the two units in question. Because of specification changes there will also be both design and material changes. The effect of these changes on price is unpredictable and cannot be accurately resolved until the contract has been substantially performed. To give both parties to the contract a fair and equitable protection, we feel that a contract providing for revision both upward and downward is essential.

Following your suggestion of supplying you with a contract form we think is appropriate, we are including the following terms quoted from one of our current contracts. Terms such as these or any similar ones you may wish to suggest, will be satisfactory to us, I am sure.

"Redetermined price shall be established by adding to the redetermined cost an allowance for profit determined in accordance with the schedule set forth below, provided however, that the total of the redetermined price shall, in no event, involve more than a increase in the target price set forth on this purchase order, as said target price may be modified pursuant to the provisions of the changes noted hereof; and provided, further, that there shall be no downward limitation of said price redetermination. The redetermined prices shall be established by adding to the redetermined cost an allowance for profit determined in accordance with the schedule set forth below:

25X1

DOCUMENT NO. 15
 NO CHANGE IN CLASS ☐
☐ DECLASSIFIED
 CLASS. CHANGED TO: TS S C
 NEXT REVIEW DATE: 20/11
 AUTH: 22/1/60
 DATE 22/1/60 REVIEWER: _____

DOCUMENT NO. _____
 NO CHANGE IN CLASS ☐
☐ DECLASSIFIED
 CLASS. CHANGED TO: TS S C
 NEXT REVIEW DATE: _____
 AUTH: HR 10-2
 DATE _____ REVIEWER: 018373

Proposal No. 59-42A
May 22, 1959
Page 2

If the Redetermined Cost is:

Equal to the Target Cost
Greater than Target Cost

Less than Target Cost

The Allowance for Profit Shall Be:

25X1

Our quotation for two units of Model 504 as modified the material being transferred from the prior project per your instructions is as follows:

Unit Price in
Quantities of 2

Total Price
2 Units

25X1

Total Price

\$ 32,433

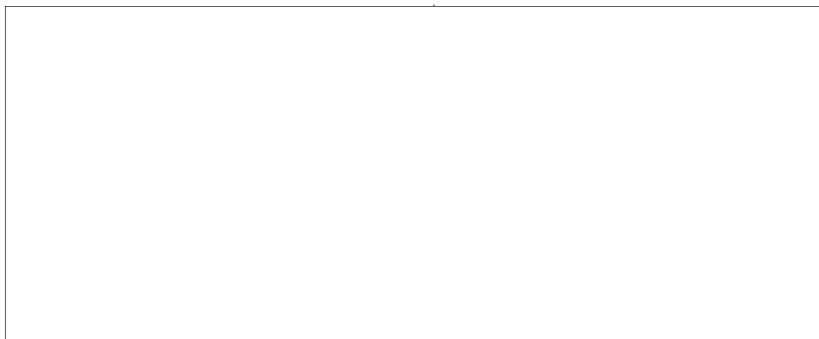
\$ 64,866

Proposal No. 59-42A

May 22, 1959

Page 3

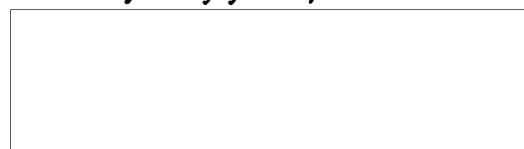
From the figures shown above, then,



25X1

We hope this information is sufficient to enable you to change the contract from its present form to one which provides for price revision upward as well as downward. Please give us a call if we can be of further assistance.

Very truly yours,

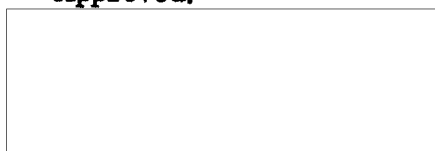


25X1

**Treasurer and
Business Manager**

RJH:jb

Approved:



25X1

President

Handwritten signature or initials